



AGFIRST
FARM CREDIT BANK

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December 10, 2013

Mr. Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Comments on Loans in Areas Having Special Flood Hazards

Dear Mr. Mardock,

AgFirst Farm Credit Bank (AgFirst), on behalf of itself and the associations in our district, appreciates the opportunity to respond to FCA's request for comments concerning Loans in Areas Having Special Flood Hazards that was published in the October 30, 2013 *Federal Register* (78 Fed Reg 65108).

In general, AgFirst supports the proposed regulations and the Biggert-Waters Flood Insurance Reform Act of 2012. However, AgFirst has the following specific comments and requests regarding certain requirements as proposed:

Previously Existing Designated Loans

The proposed regulatory changes would require the escrow of flood insurance premiums on loans originated as of the effective date of July 6, 2014, as well as require that these escrow accounts be established on existing designated loans beginning with the first renewal after the effective date. Imposing the requirement on existing designated loans is an area of concern for AgFirst.

Existing borrowers' promissory notes and/or loan agreements were not originated including any agreement or contract between the borrowers and the associations as to required escrow payments. Although notices were provided regarding the requirement of maintaining flood insurance coverage, the loans were not made with any requirement to establish escrow for flood insurance premiums as a condition of obtaining the loan. AgFirst is concerned that a borrower's refusal or failure to make payments for flood insurance into an established escrow account will not be considered a default under any existing loan, and that associations will have little or no remedies other than to advance their own funds into these escrow accounts to cover required payments.

There is also a cost associated with the establishment and servicing of any escrow account that was not considered in setting loan pricing since it was not required or known at the time of origination. Requiring the addition of escrow accounts on existing

loans does not provide the opportunity for the associations to consider loan pricing differences which will result in the associations bearing the cost burden of the escrow requirements and is prohibitive to their consideration of outsourcing this to efficient vendors.

It is for these reasons that AgFirst respectfully requests FCA to consider the regulatory burden imposed by these new regulations being imposed on already existing designated loans and amend the regulations to apply only to loans with completed applications received on or after July 6, 2014.

Exemption for Certain Payment Structures

Although infrequent, associations occasionally arrange payment structures on consumer purpose home loans to eligible borrowers based on an annual or semi-annual payment schedule to better match the income stream of their seasonal-based agricultural borrowers.

The proposed regulation requires that escrow be payable with the same frequency as payments on the loan are made. In the event that an association was servicing a loan with an annual or semi-annual payment structure (less than 4 scheduled payments annually), AgFirst requests that FCA consider allowing these loans to be exempt from the flood insurance escrow requirement.

Private Flood Insurance; Amish Community Aid

The preamble of the proposed rule states that the agencies were soliciting comments regarding whether policies issued by private insurers that do not meet the statutory definition of "private flood insurance" should be permitted to satisfy the mandatory purchase requirement. The AgFirst district includes associations in Pennsylvania and Ohio, which both have a high concentration of Amish communities. Traditionally, Amish communities have economies based on agriculture, and AgFirst associations located in these geographic areas serve borrowers in Amish communities.

It has been our experience that the Amish communities prefer not to purchase commercial insurance but instead receive the commitment of fellow Amish and members of their churches and/or their communities to assist them in the event of any damage, loss or destruction. Assistance is provided in the way of funds, supplies, support and labor. Included with this letter are examples of coverage letters received by AgChoice ACA for your reference. These letters are not insurance policies, do not meet the current requirements for flood insurance coverage, and would not meet the requirements of the statutory definition of private flood insurance, as revised. AgFirst respectfully requests that FCA consider amending the proposed definition in §614.4925 to allow Amish mutual aid coverage that is substantially similar to meet mandatory insurance requirements, including the requirements of Subpart S.

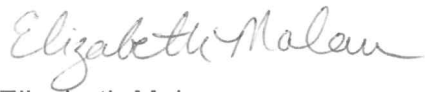
Conclusion

Thank you again for the opportunity to comment on this proposed rule. AgFirst is supportive of the overall concept underlying the proposed rule and is aware that FCA is engaged in rulemaking with several other agencies to promulgate requirements of

Biggert-Waters. However, we ask that FCA take into consideration and address our comments prior to the issuance of a final rule.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in cursive script that reads "Elizabeth Malan".

Elizabeth Malan
Attorney for AgFirst

Enclosures